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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 001643

SIPDIS

DEPT FOR SA AND SA/INS
LONDON FOR POL/GURNEY
BANGKOK FOR SECRET SERVICE
NSC FOR MILLARD
TREASURY FOR COUNTERFEIT DIVISION

E.O. 12958: DECL: 08/26/2013

TAGS: [PREL](#) [PINR](#) [ECON](#) [ETTC](#) [KCRM](#) [IN](#) [PK](#) [NP](#) [XD](#)

SUBJECT: NEPAL: PAKISTAN EMBASSY EMPLOYEE CAUGHT WITH
COUNTERFEIT INDIAN RUPEES

Classified By: DCM Robert K. Boggs for reasons 1.5 (b) and (d).

Summary
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1. (SBU) On August 19, Nepalese Police arrested an administrative staff member of the Pakistani Embassy, allegedly carrying counterfeit Indian currency. The staff member was released into the Pakistani Ambassador's custody and deported over the weekend. The Pakistani Embassy denies all the charges and alleges that this was an Indian Government setup. This is the fourth incident in the past five years involving Pakistani Embassy personnel with counterfeit currency or explosives. The Indian Ambassador has requested the Government of Nepal (GoN) to reduce the size of the Pakistani mission here. Continuing security concerns involving Pakistani nationals and embassy have led the GoN to conclude that it should not reestablish civil air links with Pakistan. End summary.

Caught Red-Handed
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2. (U) On August 19, Nepalese Police arrested Mohammed Masood (a.k.a. Mustafa), an Upper Division Clerk of the Pakistani Embassy, at a restaurant in Kathmandu. He is part of the Embassy's administrative staff and an official passport holder. Masood reportedly was found to hold 90 counterfeit Indian Rupee 500 notes (a total of Indian Rupees 45,000, roughly USD 990). After over seven hours of questioning, Masood was handed into the custody of the Pakistani Ambassador at 3 am the next morning, with the reported understanding that he would leave the country. Masood stated to the local press that he was framed and that the counterfeit currency was planted on him by the Police. The Embassy's press secretary, Kamal Ahmed, issued a statement denying the allegation that Embassy staff possessed counterfeit currency. Ahmed counter-charged that the arrest was a result of "opposition forces." (Comment: Ahmed's statement was intended to refer to the Government of India. End comment.) He also claimed that the arrest was intended to divert attention from the arrest of two Indian businessmen who had been caught earlier for illegal currency exports.

3. (C) The Nepalese police confirmed to Embassy officers Masood's arrest for possession of counterfeit currency. The Police had established that at least ten of the ninety 500 Indian Rupee notes were counterfeit. While Masood has been released, the Police report that their investigation continues. Masood was deported over the weekend.

Pakistani Ambassador Refutes Charges
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4. (SBU) Pakistani Ambassador Zamir Akram reported to the DCM on August 22 that the press had the case all wrong. According to Akram, Masood was shopping in the New Baneshwor area of Kathmandu when he was confronted by Police. The Police led him into a restaurant where they searched him, finding nothing. Akram states that the Police then planted an envelope of cash on Masood and took him to Kathmandu's central jail. Akram expressed his frustration at not being called by the Nepalese Police and only receiving a report of his disappearance from Masood's wife. Akram went to the jail, where the Police officials denied that Masood was in their custody. After a call to Nepalese Foreign Secretary Madhu Raman Acharya, Masood was finally led out of the jail and placed into Akram's custody. When the DCM asked where the case stood, Akram said his understanding from talking with the GoN's Foreign Ministry was that the case was closed. In his opinion, "our friends to the south" (a.k.a. India) had set up up Masood using the Nepalese Police.

Indian Ambassador Requests Pakistan Reduce Presence
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5. (U) At a press conference on August 26, Indian Ambassador Shyam Saran requested the GoN to reduce the size of the Pakistani Embassy, alleging that the Embassy housed Pakistani

intelligence officers. Saran argued that Pakistani representation in Kathmandu should be at par with Nepalese representation in Islamabad. During the question and answer period, an astute reporter asked if Indian representation in Kathmandu would also be reduced to match Nepalese representation in New Delhi. The Ambassador had no ready response. Later in the day, a press statement by the Pakistani Embassy noted that the Indian Embassy in Kathmandu has a staff of 300 personnel compared to the Pakistani's "skeleton staff."

A History of "Shenanigans"
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16. (U) This case is the fourth such instance involving staff at the Pakistani Embassy in the last five years:

-- On January 3, 2002, Upper Division Clerk Diraj Ahmed Siraj was arrested in Kathmandu with 9,200 dollars in counterfeit U.S. currency and 47,000 counterfeit Indian rupees (approximately USD 1000).

-- On April 12, 2001, First Secretary (Consular) Mohd Arshad Cheema and his wife Rubina Cheema were arrested in Kathmandu with counterfeit Indian rupees and 16 kgs of RDX explosives.

-- November 1998, Nepalese Police arrested Upper Division Clerk Asam Saboor in Kathmandu for attempting to exchange 50,000 counterfeit Indian rupees.

Nepalese Concern Limiting Commercial Air Links
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17. (C) Nepalese concern with the flow of illegal activity from Pakistan to Nepal has led the GoN to prohibit Pakistan International Airways (PIA) flights to and from the country. Director General of Civil Aviation Upendra Dhital and Joint Secretary for Civil Aviation Nagendra Ghimire told EconOff

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that PIA would not be allowed to reenter Nepal's aviation market due to security concerns. The two cited the 1999 hijacking of an Indian Air jetliner from Kathmandu's international airport and the continuing illegal conduct of Pakistani Embassy members as reasons for the decision.

Comment
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18. (C) We are not in a position to judge the merits of Masood's claims to have been "set up" by the Indians. The Nepalese Chief of Army Staff told the DCM that RAW, India's external intelligence agency, is very active in Nepal and could have been involved in Masood's arrest. He had no doubt, however, that Pakistan uses Nepal as a distribution base for currency, real and counterfeit, to Kashmir and other parts of India. This incident will only reinforce the Government of India's repeated complaints that Pakistani intelligence agents use Nepalese territory to subvert Indian interests. The charges and counter-charges have subsided for the moment, but we expect that Nepal will continue to remain a peripheral theater for Indo-Pak tensions.
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